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# Multifamily Advanced Pooling

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# INTRODUCTION

In this session, Multifamily Issuers will go beyond the basics of Ginnie*NET* pooling and learn tips from the Multifamily Division and Ginnie Mae's Pool Processing Agent, BNY Mellon.

From Ginnie Mae:

- Philip Buckley, Director
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From BNY Mellon:

- Andrea Hunter, Group Manager
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# TOPICS

## Pooling

- Manual Pool Submissions
- Basis Point Exceptions
- Deferred Principal Payment
- Construction Loans
- Conversions

## Delivery

- Final Certification Schedule
- Deleting Certified Pools
- Delivery Reminders
- Multifamily Database Corrections

## Miscellaneous

- Reminders
- Q & A

# MANUAL POOL SUBMISSIONS

Not all pools are accepted in Ginnie*NET*. Here are some examples:

- Rural Development balloon payment loans
- Rural Development basis point exceptions
- Conversions where first payment date on the 11706 of the CL is greater than 24 months from the issue date of the PN

# BASIS POINT EXCEPTIONS

With special approval from Ginnie Mae, Issuers are allowed to issue:

- CL or PN pools with basis point spread (bps) in excess of 50 bps.
- LS or RX pools with basis point spread below 50 bps.
- Issuers must enter the date of the approval letter into Ginnie*NET*.

# DEFERRED PRINCIPAL PAYMENT

## Pre-pooling:

Ginnie Mae may allow deferment of principal payment in the initial months if outlined in mortgage note and lender obtains investor approval. Information must be disclosed in the Prospectus.

## Subsequent to Pooling:

Ginnie Mae will not approve a suspension of principal payments on a active security.

## Multiple Advances for One Draw Submission

Each Ginnie Mae draw must be supported by at least one HUD form 92403.

It is perfectly acceptable to combine multiple 92403's into one Ginnie Mae draw. This is common practice because Ginnie Mae only allows one draw securitization per month which allows for a better construction funding workflow.

As a result, FHA's loan advance count can be greater in number sequence than Ginnie Mae's securitized draw count.

Please note: Because the security is issued in whole dollar amounts, the issuer must account for the full amount approved by HUD including cents and make the adjustment to avoid accounting discrepancies at conversion.

## Split Rate Pooling On a Specific Date

In some cases, a lender may have a split rate mortgage where the mortgage rate changes on a specific date while it is in the construction phase. Ginnie Mae will allow the change of the security and/or mortgage rates.

The procedure and safeguard steps are:

### Pre-pooling:

- Issuer contacts Ginnie Mae to confirm pool type.
- Issuer obtains security holder approval at the time of rate lock.
- Issuer fully discloses terms in the Annex of the Prospectus.

### After Issuance and Prior to Rate Change:

- Issuer submits request to Multifamily Division 30 days before the actual rate change.
- Ginnie Mae coordinates with the BNY Mellon to update the security and/or mortgage rates.



# CONVERSIONS **TYPE 3 VS TYPE 5**

## **What is a Type 3 Conversion?**

A Type 3 Conversion is the submission of the PN pool with the manual return of the CLCs position(s), with issuance of the Permanent Loan Security (Position) through the Federal Reserve Bank of New York (FRBNY).

- Whoever holds/owns all of the CLCs must return the positions to the FRBNY for cancellation so the project loan position can be issued and delivered.

# CONVERSIONS **TYPE 3 VS TYPE 5**

## **What is a Type 5 Conversion?**

A Type 5 Conversion is when the final draw and PN conversion are submitted together for issuance. The final CLC is delivered for settlement, and three business days later the CLC is automatically canceled when the PN is delivered through the FRBNY for settlement.

### **Steps:**

- Issuer contacts BNY Mellon to obtain Investor(s) of record for the CL pool.
- BNY Mellon contacts FRBNY for Dealer/Investor details; forwards information to Issuer.
- Final draw/PN conversion (Type 5) submission is received by BNY Mellon.
- BNY Mellon contacts FRBNY to send a broadcast message to Dealers/Investors regarding the conversion.
- CL/PN conversion approved for issuance and settlement.

## CONVERSIONS **TYPE 3**

### When **MUST** an Issuer submit a Type 3 Conversion?

- If there isn't a final draw, or
- If the Issuer advances or funds are less than minimum security amount (\$1,000),  
or
- If the final draw is less than the schedule principal collected and loan commenced amortization.

# CONVERSIONS

## **Mortgage Increase / Decrease**

- Contact BNY Mellon for system parameters.
- Can be done through Ginnie*NET* for most submissions.
- HUD's approval for mortgage increase/decrease is required.
- Investor acknowledgment may be required.

## Amortizing Construction Loan

- Ginnie*NET* pooling of the PN is possible.
- Issuer must pass through collected principal directly to the Investor(s).
- Issue PN pool at amortized amount (unpaid balance amount).

# FINAL CERTIFICATION **SCHEDULE**

## **GinnieNET New Pool Submissions – Final Certification**

GinnieNET is swept twice each business day for processing and issuance of pools initially certified by the Document Custodian.

### **2:00 PM Sweep of Certified Pools**

- Pools certified prior to 2:00 PM ET will be considered 1 Day Processing and may be delivered for settlement on the next business day.

### **9:00 PM Sweep of Certified Pools**

- Pools certified after 2:00 PM ET but before 9:00 PM ET will be considered 2 Day Processing and may be delivered for settlement in two business days.

# DELETING CERTIFIED POOLS

## GinnieNET Pool Submissions – Process to Delete Certified Pools

### For Pools in the 2:00 PM GinnieNET Sweep:

- Contact the Ginnie Mae Help Desk at 1-800-234-4662, option 1 or 3. Pool(s) can only be deleted between 2:00 PM - 4:00 PM ET by the PPA.

### For Pools in the 9:00 PM GinnieNET Sweep:

- Issuers have until 12:00 PM the next day to delete on GinnieNET. After 12:00 PM but before 4:00 PM ET, Issuers must contact the Ginnie Mae Help Desk at 1-800-234-4662, option 1 or 3 for assistance with deleting pool(s).

**Please Note:** If the pool is issued (after 4:00 PM or thereafter), Issuers will be advised to work with their Account Representative for a resolution.

# DELIVERY REMINDERS

## DK = Don't Know

- DK's are an industry term meaning that the Clearing/Custody bank doesn't recognize the trade, and this may lead to an overnight delay in delivery.
- Exceptions occur due to an Issuer inputting the incorrect delivery instructions
  - A good practice is to place a forward slash between the bank's name and third party name. For example, BONY/HARCUS/213897 instead of BONY/HARCUS213897.
- Too much information can result in an exception.
- If you do not see your trade by 1:30 PM, contact BNY Mellon.
- If Investor DKs a pool due to a pooling error, you will be advise to work with your Account Executive for the best resolution.



# MULTIFAMILY DATABASE CORRECTIONS

## Changes to Multifamily Database/Prospectus

- If the loan information on the Multifamily Database is incorrect, Ginnie Mae can authorize revisions to the database.
- As for the Prospectus and form HUD 11706, there is no procedure or mechanism in place to systematically make changes to documents of pools that are issued. Therefore, Issuers can make manual changes to these documents and submit them to the document custodian. In addition, please submit the revised prospectus to your Investor/attorney.
- Changes to the Multifamily Database will be captured in the Disclosure Edits section of the Issuer Operational Performance Profile (IOPP).

## Reminders

- USDA Pools – subordination agreements are needed for all 538/515 loans.
- Corporate Seals – if your state does not require a corporate seal, notate on 11705.
- Constructions loans are not eligible for PIIT (Pool Issuance Immediate Transfer).
- Prepayment Penalties must be reported by the 4<sup>th</sup> business day.
- All new accounts must be approved in MAMS prior to pool submission.
- Changes in business status must be reported to Ginnie Mae.